

Project & Template Working Group

Report to the USEITI MSG
May 2015

Working Group Members

Government

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Industry

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And several other contributors from each sector.

Assigned Tasks

- Determine reconciliation variance
- Review of audit and assurance practices

Reconciliation Variance

- As part of the USEITI process, the Independent Administrator (IA) must reconcile the data submitted by companies and the government. The EITI Standard states:
 - 5.3 a) In accordance with the Terms of Reference, the Independent Administrator should prepare an EITI Report that **comprehensively reconciles** the information disclosed by the reporting entities, **identifying any discrepancies**.
 - 5.3c) The EITI Report should include an assessment from the Independent Administrator on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by the Independent Administrator and **the limitations of the assessment provided**. Based on the government's disclosure of total revenues as per Requirement 4.2(b), the Independent Administrator should indicate the coverage of the reconciliation exercises.
- IA Terms of Reference (TOR): 3.2 The Independent Administrator will comprehensively reconcile the information disclosed by the reporting entities and prepare an initial reconciliation report based on the reported data and the agreed scope for consideration by the MSG. The report will **identify all discrepancies** (including offsetting discrepancies) **and distinguish those discrepancies above the margin of error established by the MSG**.



Process Followed

- Reporting template approved at February MSG
- Reconciliation variance required for May MSG
- Five meetings between March 18 and April 27
- Participation of IA and several MSG members in WG meetings
- Recommendation informed by consideration of potential causes and the magnitude of discrepancies



Potential Causes and Magnitude of Discrepancies

- Identified potential discrepancies and ONRR rated there likelihood
- Revenue streams given “Likelihood of Discrepancy Rating”
- Rating adjusted for the relative magnitude of revenue streams

Variance Recommendations

- Revenue stream level reconciliation variances varying based on identified cause and magnitude of discrepancies
- Proposed variance percentage based on Total Discrepancy Rating (1-5 is 1%, 6-10 is 2%, and 11+ is 3%)
- Tax discrepancies very unlikely
- Minimum dollar variance by revenue stream (Floor)

Variance Recommendations (Cont.)

Revenue Stream	Reconciliation Variance	Variance Floor
ONRR Royalties	1%	\$100,000
ONRR Rents	2%	\$50,000
ONRR Bonuses	2%	\$100,000
ONRR Other Revenues	3%	\$50,000
Offshore Inspection Fees	2%	\$20,000
Civil Penalties	1%	\$1,000
BLM Bonus and First Year Rentals	2%	\$10,000
BLM Permit Fees	3%	\$10,000
BLM Renewables	n/a	n/a
OSMRE AML Fees including Audits and Late Charges	2%	\$100,000
OSMRE Civil Penalties including Late Charges	3%	\$0
Taxes	1%	\$100,000

Review of audit and assurance practices

In agreeing the Terms of Reference, the multi-stakeholder group and the Independent Administrator are required to:

...

5.2 b) review audit and assurance practices. The multi-stakeholder group, in consultation with the Independent Administrator, is required to examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, including the relevant laws and regulations, any reforms that are planned or underway, and whether these procedures are in line with international standards. It is recommended that the EITI Report includes a summary of the findings;

Questions?